

## Settlement Agreement

The Parties to this Agreement are:

The "SeniorTrust Entities": SeniorTrust of Florida, Inc. ("SeniorTrust"); SeniorTrust of Chanute, LLC; SeniorTrust of Charlevoix, LLC; SeniorTrust of Columbia, LLC; SeniorTrust of Council Grove, LLC; SeniorTrust of Haysville, LLC; SeniorTrust of Joplin, LLC; SeniorTrust of Larned, LLC; SeniorTrust of Sedgwick, LLC; SeniorTrust of Town & Country, LLC; and Standifer Place, LLC.

The "ElderTrust Entities": ElderTrust of Florida, Inc. ("ElderTrust"); CFN Manchester/Center, LLC; CFN Manchester/North, LLC; CFN Manchester/East, LLC; John Adams Nursing Home, LLC; Longmeadow of Taunton, LLC; CFM Buckley/North, LLC; CRFM Buckley South, LLC; and Milwaukee South Healthcare, LLC.

The "Receiver": James A. Skinner, individually, and as President of Cumberland & Ohio Co. of Texas.

The "NHC Entities": National HealthCare Corporation ("NHC"); Massachusetts Healthcare Advisors, LLC ("MAHA"); New Hampshire Healthcare Advisors, LLC ("NHHA"); Missouri Healthcare Advisors, LLC ("MOHA"); and Kansas Healthcare Advisors, LLC ("KSHA"); and any affiliated entities.

"NHI": National Health Investors, Inc.

"OTAG": The Office of the Tennessee Attorney General and Reporter. The OTAG joins this Agreement for purposes of Paragraphs 1-3, 8, 10, 14-18 and 20-22 herein only.

The "SeniorTrust Lawsuit": Pending litigation in the Chancery Court of Davidson County as Case No. 12-1275-II(III).

The "ElderTrust Lawsuit": Pending litigation in the Chancery Court of Davidson County as Case No. 13-60-IV(III).

The "Lawsuits": Collectively, the SeniorTrust Lawsuit and the ElderTrust Lawsuit.

NOW THEREFORE, for and in consideration of the mutual terms, covenants and conditions herein and other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, it is agreed by and among the Parties as follows:

1. This Agreement will be effective on the first day (the "Effective Date") on which the following conditions have been satisfied: (a) the Agreement has been signed by all Parties, and (b) the Agreement has been approved in a final, non-appealable court order issued by the Chancery Court for the State of Tennessee, 20<sup>th</sup> Judicial District, that contains the provisions described in this Agreement (the "Order").



2. (a) The "SeniorTrust Closing Date" shall mean the date that is 3 business days after the later of: (i) the Effective Date, (ii) the date on which the Receiver, on behalf of the SeniorTrust Entities, receives all of the sale proceeds from the closing of the sale of the nursing homes in Kansas owned by the SeniorTrust Entities, (iii) the date on which the Receiver on behalf of the SeniorTrust Entities receives the First Court Disbursement (as defined in Paragraph 3(a) herein), or (iv) the date on which the Receiver on behalf of the SeniorTrust Entities receives the Second Court Disbursement (as defined in Paragraph 3(b) herein).

(b) The "ElderTrust Closing Date" shall mean the date that is 3 business days after the later of: (i) the Effective Date, or (ii) the date on which NHI confirms in writing to the Receiver that NHI or its designated operator of the nursing homes owned by the ElderTrust Entities has obtained all necessary licenses, permits and approvals necessary to operate such nursing homes in Massachusetts and New Hampshire.

3. The Receiver on behalf of the SeniorTrust Entities and the ElderTrust Entities shall receive the following settlement payments as described herein (subject, however, to the obligation of the SeniorTrust Entities making the payment to NHI pursuant to Paragraph 3(e) herein):

(a) The Order will provide for the immediate disbursement to the Receiver of the \$3,882,121 deposited into a court account by the Receiver for SeniorTrust on November 2, 2012, together with all interest accrued on that amount during its deposit (the "First Court Disbursement");

(b) The Order will provide for the immediate disbursement to the Receiver of the \$4,692,181.41 deposited into a court account by the Receiver for SeniorTrust on February 7, 2013, representing the net sale proceeds of the sale of SeniorTrust's assets in Missouri, together with all interest accrued on that amount during its deposit (the "Second Court Disbursement");

(c) If the Order is issued prior to the closing of the sale of SeniorTrust's Kansas assets, the Order will provide for the immediate disbursement to the Receiver of all sale proceeds from such sale. If, however, the Order is issued after such sale has closed, the Order will provide for the immediate disbursement to the Receiver of all of the funds deposited into a court account by Receiver for SeniorTrust in connection with such closing, together with all interest accrued on that amount;

(d) The Order will provide that on the SeniorTrust Closing Date NHC will pay the Receiver, on behalf of all the SeniorTrust and ElderTrust Entities, \$6,650,000;

(e) The Order will provide that on the SeniorTrust Closing Date the SeniorTrust Entities will pay NHI \$15,000,000. NHI will accept that amount as payment in full of (i) the remaining promissory note debt associated with the SeniorTrust Entities' 2004 acquisition of facilities in Kansas and Missouri from NHI, and (ii) any other indebtedness NHI contends is owed by the SeniorTrust Entities to NHI. The Order will also provide that on the SeniorTrust Closing Date, NHI will deliver to the Receiver, to be



held on behalf of the ElderTrust Entities, \$2,500,000, which \$2,500,000 will serve as a down payment on NHI's purchase price for the ElderTrust facilities described in paragraph 3(h) herein;

(f) The Order will provide that on the latter of the SeniorTrust Closing Date or the ElderTrust Closing Date, NHC will pay the Receiver for SeniorTrust and ElderTrust, on behalf of all the SeniorTrust Entities and ElderTrust Entities, \$2,694,698.00 and, in exchange, NHC will assume all assets and liabilities of the SeniorTrust Entities and the ElderTrust Entities as of their respective Closing Dates (provided that such assumed liabilities of the ElderTrust Entities shall include any liability, loss, claim, or demand incurred by the ElderTrust Entities as a result of the WARN Act, NHC's failure to hire any employees of the ElderTrust Entities or failure to honor such employees' accrued sick, vacation and holiday pay). As of March 31, 2013, this included cash balances of \$507,562.74 and ~~\$141,146.20~~<sup>58,086.35</sup> held by the Receiver on behalf of SeniorTrust and ElderTrust, respectively and the Receiver agrees to transfer such amounts into the SeniorTrust and ElderTrust operating accounts controlled by NHC on the Effective Date. The Receiver, the SeniorTrust Entities and the ElderTrust Entities agree that prior to the transfer they shall operate the entities in the ordinary course of business and not incur any extraordinary expenses without consent of NHC or court approval;

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(g) The Order will provide that the Receiver on behalf of the SeniorTrust Entities shall be entitled to retain any and all funds that the Receiver receives from the escrowed funds (totaling \$3,000,000) being held in escrow by or to be held in escrow by First American Title Insurance Company to secure the indemnity obligations of the Receiver and the SeniorTrust Entities in connection with the sale of the Missouri assets and the Kansas assets;

(h) The Order will provide that on the ElderTrust Closing Date, the ElderTrust Entities will convey to NHI (or one or more NHI subsidiaries, as designated by NHI) all the facilities previously sold to the ElderTrust Entities by NHI, together with any furniture, fixtures, equipment or inventory owned by the ElderTrust Entities; and NHI will at that time (i) pay the Receiver on behalf of the ElderTrust Entities \$23,350,000 (with the \$2,500,000 down payment described in paragraph 3(e) herein to be applied as a credit against that \$23,350,000), (ii) cancel the remaining promissory note debt associated with the ElderTrust Entities' 2001 acquisition of those facilities from NHI, and (iii) provide a full release of any and all other indebtedness that NHI contends the ElderTrust Entities owe NHI. This sale of the facilities owned by the ElderTrust Entities to NHI will be on the following terms:

(i) The sale will be on an "as is, where is" basis, with no representations, covenants, or warranties of any kind from the ElderTrust Entities or the Receiver; and neither the ElderTrust Entities nor the Receiver will be required to provide NHI with any title insurance policies, surveys, or environmental studies. On the ElderTrust Closing Date there will be no proration of expenses, revenues, taxes, employee costs, and other expenses among NHI and the ElderTrust Entities, it being

understood that upon transfer of title of the properties to NHI (or its designee) by the ElderTrust Entities, NHI (or its designee) shall be entitled to all assets (including cash accounts) of the ElderTrust Entities (excluding any settlement proceeds received by the Receiver or the ElderTrust Entities pursuant to paragraph 3 herein);

(ii) The ElderTrust Entities will convey and transfer fee simple title to the real estate relating to the facilities by special warranty deed subject to all matters of record as of the Effective Date, and shall convey title to any personal property by an "as is, no warranty" bill of sale. The Order shall provide that such real estate and personal property shall be conveyed to NHI (or one or more NHI subsidiaries, as designated by NHI) free and clear of all liens and claims. NHI will be responsible for paying all closing costs, recording fees, documentary stamp taxes or other customary transaction-related fees and expenses in connection with these conveyances. However, all Parties will be responsible for their own legal fees in connection with the transaction;

(iii) NHC shall prepare and file with the appropriate Medicare and Medicaid agencies its final cost reports in respect to its operation of the nursing homes owned by the ElderTrust Entities as soon as reasonably practicable after the ElderTrust Closing Date, but in no event later than the date on which such final cost reports are required to be filed by law under the terms of the Medicare and Medicaid Programs, and will provide the appropriate Medicare and Medicaid agencies with any information needed to support claims for reimbursement; and

(iv) NHC shall assume all service contracts held by the ElderTrust Entities for each of the New Hampshire and Massachusetts nursing homes;

(i) The Receiver, SeniorTrust and ElderTrust shall be responsible to pay out of the settlement proceeds received under paragraph 3 herein, the cost of all unpaid professional fees, legal fees and brokerage fees incurred in connection with the Lawsuits and the sale and transfer of the SeniorTrust facilities and the ElderTrust facilities; and

(j) All obligations of NHI and NHC under this Agreement are conditioned upon issuance of written notice of no objection by the OTAG with respect to the transfers of the assets and liabilities of SeniorTrust, ElderTrust and The Salt Foundation and its subsidiaries and affiliates to NHC in accordance with the terms of this Agreement under the requirements of T.C.A. § 48-62- 102(g).

4. NHI covenants and agrees that it will not sell the facilities formerly owned by the ElderTrust Entities to any Tennessee nonprofit entity.

5. (a) As of the SeniorTrust Closing Date, the NHC Entities and the SeniorTrust Entities will enter into a common defense agreement providing that NHC will assume, through common counsel of NHC's selection, the defense of any employment claims or demands asserted by current or former employees of the SeniorTrust Entities. NHC will defend, indemnify and hold the SeniorTrust Entities harmless from any loss that arises from any such claims; provided, however, that the SeniorTrust Entities will be responsible for their own legal fees incurred in



connection with the claims through the SeniorTrust Closing Date. NHC may settle or defend such matters in its sole discretion.

(b) As of the ElderTrust Closing Date, the NHC Entities and the ElderTrust Entities will enter into a common defense agreement providing that NHC will assume, through common counsel of NHC's selection, the defense of any employment claims or demands asserted by current or former employees of the ElderTrust Entities. NHC will defend, indemnify and hold the ElderTrust Entities harmless from any loss that arises from any such claims; provided, however, that the ElderTrust Entities will be responsible for their own unpaid legal fees incurred in connection with the claims through the ElderTrust Closing Date which shall be paid from settlement proceeds received under paragraph 3 herein. NHC may settle or defend such matters in its sole discretion.

6. NHC and the SeniorTrust Entities will enter into a common defense agreement providing that NHC will assume, through common counsel of NHC's selection, the defense of any personal injury claim asserted against the SeniorTrust Entities arising out of their ownership of Standifer Place, including but not limited to the claim known as the Maxwell claim. NHC may settle or defend any such claim in its sole discretion. The SeniorTrust Entities will be responsible for their own unpaid legal fees incurred in connection with the Maxwell claim through the SeniorTrust Closing Date, which shall be paid from the settlement proceeds under paragraph 3 herein.

7. Except for claims related to taxes (which are provided for in Paragraphs 9(a)(iii) and 9(b)(iii) of this Agreement), the NHC Entities will defend, indemnify and hold the SeniorTrust Entities and the ElderTrust Entities harmless against any actions by any governmental entity, government healthcare program or a contractor acting on behalf of a government healthcare program, to recover overpayments and against any other claims arising out of the acts or omissions of any of the NHC Entities during the period of the management of the respective nursing homes owned by the SeniorTrust Entities or the ElderTrust Entities. The NHC Entities will also defend and indemnify the SeniorTrust Entities against any claims by the buyers or such buyer's operators/lessees of the SeniorTrust Entities' nursing homes against the escrowed holdbacks described in the asset purchase agreements and/or operations transfer agreements with those buyers and their operators/lessees (such holdbacks being more particularly described in Paragraph 3(g) herein), but only to the extent any buyer's/operator's/lessee's claim to those escrowed holdbacks arises from a claim by a governmental entity, government healthcare program or a contractor acting on behalf of a government healthcare program, for an overpayment on any claim submitted during the period in which the NHC Entities managed the SeniorTrust Entities' nursing homes, and only to the extent the escrowed holdback remains in effect pursuant to the terms of the relevant asset purchase agreement or operations transfer agreement.

8. On or before September 30, 2013, the existing five-year sub-lease of the Standifer Place facility to Mature Care of Standifer Place, LLC will terminate, and NHC will assume operation of that facility effective October 1, 2013. NHC will receive and assume all assets and liabilities of The Salt Foundation and of Mature Care of Standifer Place, LLC, as reflected on their September 30, 2013 balance sheets. NHC will assist The Salt Foundation in winding up its affairs and dissolving within 30 days of the termination of the sub-lease. The OTAG will issue a

written statement of no objection with respect to this transfer or grant a waiver of the requirements of T.C.A. § 48-62-102(g) prior to that date.

9. (a) On the SeniorTrust Closing Date, the Parties will deliver these releases:

(i) NHI will release the SeniorTrust Entities and the Receiver (as well as the current and former officers, directors, employees, attorneys and agents of each) from all past, present, or future claims arising out of the Parties' acts or omissions prior to the Effective Date, demands, obligations, actions, debts, and liabilities, including, but not limited to, all claims NHI has asserted in the SeniorTrust Lawsuit.

(ii) The NHC Entities will release the SeniorTrust Entities and the Receiver (as well as the current and former officers, directors, employees, attorneys and agents of each) from all past, present or future claims arising out of the Parties' acts or omissions prior to the Effective Date, demands, obligations, actions, debts, and liabilities, including, but not limited to, all claims NHC has asserted in the SeniorTrust Lawsuit for payment of services rendered prior to the dates on which SeniorTrust entered into its receivership.

(iii) The SeniorTrust Entities and the Receiver will release NHI, the NHC Entities, and any parent, subsidiary, and affiliates of NHI and any NHC Entity (as well as the current and former officers, directors, employees, attorneys and agents of each) from all past, present or future claims arising out of the Parties' acts or omissions prior to the Effective Date, demands, obligations, actions, debts, and liabilities, including, but not limited to, all claims asserted in the SeniorTrust Lawsuit; provided, however, that this release will not include any claim any of the SeniorTrust Entities or the Receiver may have against NHI or any of the NHC Entities to defend, indemnify and hold them harmless against any claim that (A) may be asserted in the future for taxes asserted by any local, state, or federal government or agency or (B) is covered by the indemnification obligations of the NHC Entities under Paragraphs 5(a), 5(b) and 7 herein. The parties reserve all rights they have as to any such claim for taxes.

Notwithstanding their scope otherwise, these releases will not release any party from compliance with all terms of this Agreement.

(b) On the ElderTrust Closing Date, the Parties will deliver these releases:

(i) NHI will release the ElderTrust Entities and the Receiver (as well as the current and former officers, directors, employees, attorneys and agents of each) from all past, present, or future claims arising out of the Parties' acts or omissions prior to the Effective Date, demands, obligations, actions, debts, and liabilities, including, but not limited to, all claims NHI has asserted in the ElderTrust Lawsuit.

(ii) The NHC Entities will release the ElderTrust Entities and the Receiver (as well as the current and former officers, directors, employees, attorneys and agents of each) from all past, present or future claims arising out of the Parties' acts or omissions prior to the Effective Date, demands, obligations, actions, debts, and liabilities, including,



but not limited to, all claims NHC has asserted in the ElderTrust Lawsuit for payment of services rendered prior to the dates on which ElderTrust entered into its receivership.

(iii) The ElderTrust Entities and the Receiver will release NHI, the NHC Entities, and any parent, subsidiary, and affiliates of NHI and any NHC Entity (as well as the current and former officers, directors, employees, attorneys and agents of each) from all past, present or future claims arising out of the Parties' acts or omissions prior to the Effective Date, demands, obligations, actions, debts, and liabilities, including, but not limited to, all claims asserted in the ElderTrust Lawsuit; provided, however, that this release will not include any claim any of the ElderTrust Entities or the Receiver may have against NHI or any of the NHC Entities to defend, indemnify and hold them harmless against any claim that (A) may be asserted in the future for taxes asserted by any local, state, or federal government or agency; (B) is covered by the indemnification obligations of the NHC Entities under Paragraphs 5(a), 5(b), 6 and 7 herein; or (C) is covered by the indemnification obligations of NHI under paragraph 3(h) herein. The parties reserve all rights they have as to any such claim for taxes.

Notwithstanding their scope otherwise, these releases will not release any party from compliance with all terms of this Agreement.

10. On the last to occur of the SeniorTrust Closing Date and the ElderTrust Closing Date, the OTAG will deliver to the NHC Entities and NHI a covenant not to sue, or to take other adverse action against the NHC Entities, NHI or the current and former members of The Salt Foundation or its affiliates, based on any relationship or dealings any of them have had with the SeniorTrust Entities, the ElderTrust Entities, or The Salt Foundation or its affiliates.

11. (a) Through the SeniorTrust Closing Date, the SeniorTrust Entities will make, and be liable for, payments to the NHC Entities for post-receivership services and advances, in conformance with the applicable management agreements and such payments shall be paid out of the operating accounts of the SeniorTrust Entities and not out of the settlement proceeds described in paragraph 3 herein;

(b) Through the ElderTrust Closing Date, the ElderTrust Entities will make, and be liable for, payments to the NHC Entities for post-receivership services and advances, in conformance with the applicable management agreements and such payments shall be paid out of the operating accounts of the ElderTrust Entities and not out of the settlement proceeds described in paragraph 3 herein.

(c) Beginning on the date of full execution of this Agreement, the NHC Entities shall provide all wind-up services contemplated in those certain wind-up agreements with respect to the Missouri facilities of the SeniorTrust Entities. Neither the Receiver nor SeniorTrust Entities shall be liable for any costs or expenses under such wind-up agreements.

(d) Beginning on the closing date of the sale of the Kansas facilities of the SeniorTrust Entities, the NHC Entities shall execute and deliver to the SeniorTrust Entities wind-up agreements (substantially similar to such agreements executed with respect to the Missouri

facilities) for the Kansas facilities and neither the Receiver nor the SeniorTrust Entities shall be liable to pay any costs or expenses under such wind-up agreements.

(e) Beginning on the ElderTrust Closing Date, NHC or its designee shall be responsible for performing all wind-up services associated with the ElderTrust facilities at its sole cost and expense.

12. (a) Through the SeniorTrust Closing Date, the SeniorTrust Entities will continue to make, and be liable for, interest-only payments on their outstanding debt to NHI (approximately \$82,996.00 per month), the last payment to be pro-rated based on the SeniorTrust Closing Date.

(b) Through the ElderTrust Closing Date, the ElderTrust Entities will continue to make, and be liable for, interest-only payments on their outstanding debt to NHI (approximately \$87,175.30 per month), the last payment to be pro-rated based on the ElderTrust Closing Date.

13. Within ten (10) days after the last to occur of the SeniorTrust Closing Date and the ElderTrust Closing Date, the Parties will cause their counsel to dismiss the Lawsuits with prejudice. The court costs will be split evenly among NHI, NHC, SeniorTrust and ElderTrust (with each such party paying one-third of such costs in the lawsuit or lawsuits to which it is a party). No party will seek an award of discretionary costs; each party will bear its own legal fees and expenses.

14. Upon the conclusion of the dissolution of the receiverships of SeniorTrust and ElderTrust the funds of SeniorTrust and ElderTrust remaining after payments of all receivership fees, costs, and approved claims will be distributed to one or more Tennessee public benefit nonprofit organizations as recommended by the OTAG and approved by the Chancery Court for the State of Tennessee, 20<sup>th</sup> Judicial District. Before that recommendation is made, the OTAG will meet with representatives of NHI and NHC concerning such recommendation.

15. Once all Parties have signed this Agreement and it has been filed with the Court, the fact of the Agreement will be announced through a single press release to be agreed upon by all the Parties and issued jointly, with any disputes over the content of that press release to be resolved by Mediator Carlos González. No party will make a public statement concerning the resolution of this dispute until after that press release is issued.

16. The terms of this Agreement will not be confidential.

17. This Agreement resolves through compromise disputed claims and assertions. No party by entering into this Agreement admits any liability or concedes the validity of any claim, defense, or assertion.

18. The Parties will cooperate in good faith in taking all actions and executing all further documents that may be necessary to effectuate the terms of this Agreement.

19. This Agreement will bind, and inure to the benefit of, the Parties' respective successors and assigns.



20. This Agreement is a complete statement of the terms of the Parties' settlement and may be modified only by another document signed by all the parties.

21. This Agreement is to be governed by Tennessee substantive law. The Chancery Court for the State of Tennessee, 20<sup>th</sup> Judicial District will be the exclusive venue for any action to enforce this Agreement. The prevailing party or parties in such an action will be entitled to recover their reasonable fees and expenses incurred in the action from the non-prevailing party or parties.

22. This Agreement may be signed in multiple counterparts, which together will constitute one agreement.

National HealthCare Corporation

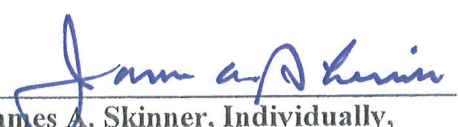
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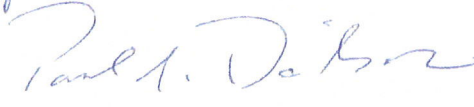
Its: President

National Health Investors, Inc.

By: 

Its: President

  
James A. Skinner, Individually,  
and as President of the Cumberland  
& Ohio Co. of Texas, Acting as Receiver  
of SeniorTrust of Florida, Inc. and its  
subsidiaries and ElderTrust of Florida,  
Inc. and its subsidiaries

*Approved as to form*  


Office of the Tennessee Attorney General and Reporter

By: 

Its: Attorney General + Reporter

*Approved as to form*  
